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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Q 92-2071

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1992

OR

[ ] TRANSITIONAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transitional Period From _____ To _____

Commission File Number 0-13108
GARDEN STATE BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

New Jersey	22-2549534
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

West County Line & Bennetts Mills Roads
Jackson, New Jersey 08527
(address of principal executive offices and zip code)

(908)905-2200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 1992
Common Stock, no par value	1,723,977

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GARDEN STATE BANCSHARES, INC.
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Part 1 - Financial Information

GARDEN STATE BANCSHARES, INC.
Consolidated Balance Sheets
(In Thousands of Dollars)
(Unaudited)

	March 31 1992	December 31 1991
ASSETS		
Cash & due from banks	$ 10,098	$ 11,453
Interest bearing deposits with banks with maturities of three months or less	734	1,259
Federal funds sold	3,500	1,100
Total Cash and Cash Equivalents	14,332	13,812
Interest bearing deposits with banks with maturities greater than three months	297	1,188
Investment securities: (Note 2)		
U.S. Treasury Securities	6,303	6,303
Obligations of other Government agencies	42,698	40,946
Obligations of state and political subdivisions	7,607	6,749
Other securities	3,515	4,282
	60,123	58,280
Loans	212,365	213,442
Less: Allowance for Possible Loan Losses	4,036	3,727
Loans, Net	208,329	209,715
Bank premises & equipment, Net (Note 3)	9,270	9,431
Other Real Estate Owned	5,926	9,192
Accrued interest receivable and other assets	4,513	4,380
Total assets	$ 302,790	$ 305,998
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand noninterest bearing	$ 36,630	$ 35,708
Demand interest bearing	37,682	40,756
Savings	57,742	53,209
Time	128,320	128,757
Time $100,000 and over	21,226	26,429
Total deposits	281,600	284,859
Other liabilities	2,103	2,286
Total Liabilities	283,703	287,145
Stockholders' Equity:		
Common stock, no par value, Authorized 4,088,091 shares, issued and outstanding 1,723,977 shares	12,302	12,302
Capital surplus	2,095	2,095
Undivided profits	4,690	4,456
Total stockholders' equity	19,087	18,853
Total liabilities & stockholders' equity	$ 302,790	$ 305,998

GARDEN STATE BANCSHARES, INC.
Consolidated Statements of Operations
(In Thousands of Dollars Except for per Share Data)

	(Unaudited) Three Months Ended March 31, 1992	1991
Interest Income:		
Interest and fees on loans	$ 4,775	$ 5,359
Interest on investment securities		
Taxable	1,169	887
Exempt from Federal income tax	112	184
Other	29	265
Total interest income	6,085	6,695
Interest Expense:		
Demand-interest bearing & savings	946	856
Time	1,883	2,613
Time $100,000 and over	283	628
Borrowed funds	3	9
Total interest expense	3,115	4,106
Net Interest Income	2,970	2,589
Provision for Loan Losses	510	200
Net interest income after provision for loan losses	2,460	2,389
Noninterest income:		
Service Charges - Deposit Accounts	263	242
Other Non Interest Income	485	200
Total Noninterest income	748	442
Noninterest expense:		
Salaries, Wages & Employee Benefits	1,458	1,263
Occupancy Expense	480	449
Other	981	803
Total Noninterest expense	2,919	2,515
Income Before Income Taxes	289	316
Income Taxes	54	95
Net Income	$ 235	$ 221
Earnings Per Share of Common Stock		
Income per share	$ .14	$ .13
Weighted average shares outstanding	1,723,977	1,709,902

GARDEN STATE BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of Dollars)

	(Unaudited) Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net Income	$ 235	$ 221
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	223	208
Provision for Loan Losses	510	200
Accretion for discount of investments	(70)	(14)
Amortization of premium on investments	19	14
Gain on sale of loans	(200)	-0-
Loss on sale of other real estate owned	42	-0-
(Increase) decrease in income tax receivable	(289)	335
Decrease in income tax payable	-0-	160
Decrease in deferred tax asset	342	-0-
Decrease in deferred loan fees	(9)	(27)
Increase in interest receivable	(58)	(152)
Decrease in interest payable	(154)	(6)
(Increase) in other assets	(130)	(131)
Increase (decrease) in other liabilities	(28)	92
Total adjustments	198	679
Net cash provided by operating activities	433	900
Cash flows from investment activities		
Proceeds from sale investment securities	-0-	-0-
Proceeds from maturities of investment securities	7,029	2,152
Purchase of investment securities	(7,930)	(2,814)
Net (increase) decrease in loans	388	(6,323)
Recovery of loans previously charged off	23	462
Proceeds from sale of other real estate owned	3,898	1,853
Bank premises and equipment expenditures	(62)	(295)
Net cash provided by (used in) investing activities	3,346	(4,965)
Cash flows from financing activities		
Net increase (decrease) in demand deposits and savings accounts	2,381	(3,411)
Net increase (decrease) in time deposits	(5,640)	4,398
Net cash provided by (used in) financing activities	(3,259)	987
Net increase (decrease) in cash and cash equivalents	520	(3,078)
Cash and cash equivalents at beginning of period	13,812	16,024
Cash and cash equivalents at end of period	$ 14,332	$ 12,946
Supplemental disclosure of cash flow information		
Cash paid during year for interest	$3,269	$4,117
Cash paid (received) during year for income taxes (refunds)	$1	$(400)

During the three months ended March 31, 1992 the Bank transferred assets of $632,000 to Other real estate owned and In-substance foreclosure.

Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements as of and for the three months ended March 31, 1992 and 1991 are unaudited and in the opinion of the Corporation reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the unaudited periods. The financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information

Net income per share is computed on the weighted average number of shares of Common Stock assumed outstanding during the period.

2. Investment Securities

The carrying value and approximate market value of investment securities are summarized as follows:

	March 31, 1992	
	Carrying Value	Market Value
U.S. Treasury	$ 6,303	$ 6,515
Obligations of other Government agencies	42,698	43,636
Obligations of State & Political Subdivisions	7,607	7,662
Other Securities	3,515	3,573
	$ 60,123	$ 61,386

	December 31, 1991	
	Carrying Value	Market Value
U.S. Treasury	$ 6,303	$ 6,706
Obligations of other Government agencies	40,946	43,022
Obligation of State & Political Subdivisions	6,749	6,819
Other Securities	4,282	4,385
	$ 58,280	$ 60,932

3. Premises & Equipment

The bank operates from its Corporate Headquarters adjacent to the Main Office in Jackson and seven branch offices, two of which are located in Lakewood Township, one on Kennedy Boulevard and one on Route 70. Two other branches are located in Dover Township, one in the Toms River Mall on Route 37 and one in the Dover Mall Shopping Center at the intersection of Routes 166 and 37. The Bank's Brick office is located on Chambers Bridge Road. The Bank's has a full service branch office in Whiting. The Whiting and Route 70 offices also offer Trust Services. The Bank also has a 2,500 square foot full service branch office in Wall on Route 35.

In April 1989, 2.0 acres of land on Hope Rd. in Jackson Township was purchased as an investment by the Bank, for $181,000 in cash. An additional half acre was subsequently purchased for 1,205 shares of common stock. The Bank is periodically reviewing the site's potential as a future full service branch office.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

During the first three months of 1992 Total Assets decreased by $3,208,000, or 1.0%, from December 31, 1991. The decrease was primarily attributable to the sale of $3,898,000 of other real estate owned and $3,966,000 of loans, which sales were partially offset by the addition of new loans totalling approximately $3,500,000 and additions to other real estate owned totalling $632,000, and by net increases in the Corporation's cash, cash equivalents and investment securities. The loan sale occurred late in the quarter; in keeping with it's policy of supporting the community, management expects to reinvest the proceeds in the Bank's community through additional lending activity.

A continuing management objective for the year will be the realignment of the Bank's asset mix to place more emphasis on investment securities and within the investment security portfolio to increase the percentage of funds held in obligations of other U.S. Agencies. This objective is being undertaken to reduce the Bank's risk associated with lending secured by real estate in it's current economic environment. In keeping with that objective, the Corporation's investment securities increased $1,843,000, or 3.2%, with obligations of other U.S. agencies increasing by $1,752,000, or 4.3%, since December 31, 1991. Cash and due from banks decreased by $1,355,000, or 11.8%, while federal funds sold increased by $2,400,000, or 218.2%, and interest bearing deposits in banks that mature in three months or less decreased by $525,000 , or 41.7%, as those deposits were reinvested in securities having a higher yield. Interest bearing deposits in banks with maturities over three months decreased by $891,000, or 75.0%, as maturing certificates were reinvested in other earning assets to maximize available yields.

Another management objective is to of reduce the Bank's use of time deposits in general and specifically volatile rate public fund certificates over $100,000 which mature in less than 30 days, in favor of longer term, smaller denomination certificates. From time to time management will elect to use short term borrowings, in place of higher priced deposits, to meet temporary liquidity shortfalls. In keeping with these objectives, time deposits under $100,000, decreased $437,000, or 0.3%, and time deposits over $100,000 decreased by $5,203,000, or 19.7%, in the three month period. As interest rates fell and the difference between time and savings deposits narrowed, the Bank was able to attract a large amount of core-type deposits. During the first quarter of 1992, savings Deposits increased $4,533,000, or 8.5%, noninterest bearing demand deposits increased by $922,000, or 2.6%, and demand interest bearing deposits, which primarily include money market accounts, decreased by $3,074,000, or 7.5%.

Management's Discussion Continued

Management continues to carefully monitor activity in the Bank's lending area. The Bank has a significant portion of its loan portfolio secured by real estate and as with most businesses in the Northeast, continues to feel the effects of the sluggish economy and soft real estate markets. Total nonperforming assets have decreased 6.0% or $1,228,000 since December 31, 1991. Non accruing loans increased by $995,000, or 10.2% from December 31, 1991 to March 31, 1992. At March 31, 1992, non accruing loans amounted to 5.1% of the Bank's loan portfolio. The provision for possible loan losses was $510,000 for the first three months of 1992, compared to $200,000 for the same period in 1991, a 155.0% increase, boosting the allowance for possible loan losses to 1.9% of total loans.

While any credit decision involves a degree of risk, management believes that the current reserves reasonably provide for any future losses that may occur. Management is greatly encouraged by the fact that the Bank transferred $632,000 in nonperforming loans to other real estate owned and in-substance foreclosure during the first quarter of 1992, an 82.5% drop from the $3,420,000 transferred during the first quarter of 1991. These assets were transferred at the lower of carrying value or market value of the underlying collateral. By virtue of the sale of $3,898,000 in other real estate owned described above, offset by the transfer of $632,000 to other real estate owned and in-substance foreclosure, the combined category of other real estate sold and in-substance foreclosure has decreased by $3,266,000, or 35.5%, from December 31, 1991 to March 31, 1992.

The table below presents, on a quarterly basis, loans accounted for on a nonaccrual basis, loans which are contractually past due 90 days or more and non-performing assets. Dollars are presented in thousands.

	Three Month Period Ending In			
	03/92	12/91	09/91	06/91
Nonaccrual loans	$10,742	$9,747	$9,684	$13,122
Accruing Loans 90 Days Past Due	2,617	1,574	2,865	2,349
Nonperforming Loans	13,359	11,321	12,549	15,471
Other real estate owned	4,524	7,153	3,914	1,404
In substance foreclosure	1,402	2,039	3,773	3,975
Nonperforming Assets	$19,285	$20,513	$20,236	$20,850
Percentage of nonaccruing loans to the total loan portfolio:	5.06%	4.57%	4.66%	6.39%
Percentage of nonperforming assets to the total loan portfolio and other real estate owned:	8.83%	9.21%	9.38%	9.90%

Management's Discussion Continued

Percentage of allowance for possible losses to:				
Total Loans	1.90%	1.75%	1.74%	2.11%
Nonperforming Loans	30.21%	32.91%	28.80%	28.01%
Nonperforming Assets	20.93%	18.16%	17.86%	20.79%

Results of Operations

The Corporation's earnings for the three months ended March 31, 1992 were $235,000, or $0.14 per share, up 6.3% from $221,000, or $0.13 per share, for the quarter ended March 31, 1991. This earnings improvement resulted from an increase in net interest income during the three months ended March 31, 1992, of $ 381,000, or 14.7%, an increase in total noninterest income of $306,000, or 69.2%, and a decrease in income taxes of $41,000, or 43.2%, offset by an increase in the provision for loan losses of $310,000, or 155.0%, and an increase in total noninterest expense of $404,000, or 16.1%.

The increase in net interest income resulted when total interest income decreased $610,000, or 9.1%, was offset by a decrease in total interest expense of $991,000, or 24.1% during the first quarter of 1992 as compared to the first quarter of 1991. Total interest income declined primarily because volume increase in the loan portfolio was offset by declines in the yield on the portfolio. The loan sale which resulted in the net decrease in the volume of loans occurred late in the quarter; thus the average volume did not decrease. The decrease in interest expense was primarily the result of a decrease of in the volume of time deposits over $100,000, in addition to a drop in rates paid on such deposits, caused interest expense in that category to decrease from $628,000 during the three months ended March 31, 1991 to $283,000 during the same period in 1992. As noted earlier management, is pursuing a policy of reducing the Bank's use of volatile rate public funds which generally mature in less than 30 d2ys. Volume in the Time Deposits under $100,000 decreased slightly while rate decreases caused interest expense in the category to decrease by 27.9%, or $730,000.

Market interest rate reductions over the past three quarters have negatively affected the Bank's interest margins as loans have repriced faster than longer-maturity time deposits. This adverse affect continues to be eliminated as time deposits mature and reprice at lower rates. Management believes that the interest margin will improve as the benefit of the increase in core-type deposits, acquired during the quarter, will result in an overall lower interest expense.

Management's Discussion Continued

The provision represents charges to earnings taken by the Bank to establish an allowance for possible loan losses which, after the impact of net charge-offs, is expected to be sufficient to protect the Bank against future losses in the loan portfolio. The adequacy of the allowance is based on management's evaluation of potential losses in the portfolio after review of specific problem loans and current economic conditions that may affect the borrower's ability to pay. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowances based on their judgements available to them at the time of their examination. Management also performs an analysis of the risk generally inherent in the Bank's loan portfolio. Some of the criteria management considers in the risk analysis include the Bank's policies regarding review of delinquencies and timely follow-up on problem loans, borrower diversification by industry and other segments, and the nature of the collateral and/or guarantees securing the Bank's loans.

Noninterest income increased by $306,000, or 69.23%, during the first three months of 1992 compared to the first three months of 1991 due to the gain of $200,000 on the sale of $3,966,000 of loans during the quarter, and an increase of $21,000, or 8.7%, from the Bank's revised service charge structure. Total noninterest expense increased $404,000, or 16.1%, primarily due to increases of 15.4% in Salary, Wages and Employee Benefits from the increased cost of medical benefits. In addition, other noninterest expenses increased 22.2% due to the increased cost of other real estate owned expense and a 25.6% increase in the Bank's FDIC insurance premiums.

Liquidity

The Corporation actively manages its liquidity position under the direction of the Executive Committee of the Board of Directors. Periodic review under prescribed policies and procedures is intended to insure that the Corporation will maintain adequate levels of available funds. At March 31, 1992 the Corporation's primary and secondary liquidity ratios were above the stated policy.

At the end of the reported period, there were no uncertainties that will have a material effect on the Corporation's liquidity, capital resources, or operations; nor is the Corporation aware of any current recommendations by the regulatory authorities which, if they were to be implemented, would have such an effect.

The Corporation had no material commitments for capital expenditures as of March 31, 1992.

Capital

The following are selected ratios for the quarter ended March 31, 1992:

	Bank 03/31/92	Corporation 03/31/92	/---- Minimum ----\ 12/31/91	12/31/92
Risk Based Capital				
Tier 1	8.34%	8.34%	3.625%	4.00%
Total	9.84%	9.84%	7.25%	8.00%
Leverage	6.24%	6.24%	3.00%	3.00%

Part II - Other Information

Item 6(a) - Exhibits

None

Item 6(b) - Reports on Form 8-K

No reports on Form 8-K have been filed by the Registrant during the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf, by the undersigned thereunto duly authorized.

Garden State BancShares, Inc.

DATE: 05/14/92

Theodore D. Bessler
President and Chief
Executive Officer

DATE: 05-14-92

Vincent N. Tozzi

Vincent N. Tozzi
Vice President
Comptroller